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ABSTRACT

Since the 1940s, the Department of Veterans Affairs (VA) has provided training to veterans with service-connected disabilities to help improve their employability. A review of the program, legislation, regulations, and operating procedures and an analysis of program data and visits to regional offices and rehabilitation agencies in four locations were conducted to determine the success of the program in placing veterans in jobs, as mandated by 1980 legislation. Some of the results of the study were the following: (1) the program has rehabilitated about 8 percent of the approximately 74,000 veterans found eligible for vocational rehabilitation services over the last 5 years, whereas about 50 percent of the eligible veterans continued to receive program services; (2) the program continues to send veterans primarily to training and does not focus on employment services; (3) only about one in four veterans in the program has a serious employment handicap; (4) a review of 100 case files showed an average of $20,000 spent on each veteran who gained employment and about $10,000 on each program dropout; (5) more than half the total costs of rehabilitation services consisted of payments to veterans to cover their basic living expenses; (6) a comparison of state vocational rehabilitation programs over the last 5 years showed that state agencies rehabilitated 37 percent of the approximately 2.6 million individuals eligible for vocational rehabilitation program services, whereas about 31 percent continued to receive program services; (7) the state agencies provide a wide range of rehabilitative services and a majority of the program participants had severe disabilities; and (8) the state agencies spent, on average, about $4,000 on each client who achieved employment and about $2,000 on each client who dropped out of the program. The VA is currently trying to improve programs in order to increase the number of veterans who obtain suitable employment. (Appendixes include scope and methodology, comments from the VA, and a list of major contributors.) (KC)

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United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Education, Training, Employment, and Housing, Committee on Veterans' Affairs, House of Representatives

September 1996

VOCATIONAL REHABILITATION

VA Continues to Place Few Disabled Veterans in Jobs

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Health, Education, and
Human Services Division

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September 3, 1996

The Honorable Stephen E. Buyer
Chairman, Subcommittee on Education,
Training, Employment, and Housing
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

Veterans with disabilities resulting from their service in the military often need help in obtaining and maintaining employment. Since the 1940s, the Department of Veterans Affairs (VA), previously the Veterans Administration, has provided training to veterans with service-connected disabilities to help improve their employability. In 1980, the Congress enacted the Veterans' Rehabilitation and Education Amendments, which changed the focus of the veterans' vocational rehabilitation program from just providing training to improve the employability of disabled veterans to helping them find and maintain suitable jobs.[1] However, in 1984 and again in 1992, we reported and VA agreed that the vocational rehabilitation program was still primarily focused on sending veterans to training, not on finding veterans suitable employment.[2] In fiscal year 1995, VA spent about $300 million to provide program services to about 48,000 veterans.

This letter responds to your concerns about whether VA's vocational rehabilitation program is achieving one of its primary goals of helping disabled veterans obtain suitable jobs. Specifically, you requested that we provide information on the status of the program—percentage of rehabilitated veterans, services provided, characteristics of clients served, and cost of rehabilitation.[3] You also asked us to provide similar information on the Department of Education's state vocational rehabilitation program. Although both VA and Education programs are designed to help disabled people obtain employment, significant differences exist between the two in the kinds of clients served, the types of services provided, and how successful rehabilitations are defined (for example, under the state program, a suitable job can be a nonwage-earning

[1]VA defines a suitable job as a position consistent with the veteran's aptitudes, abilities, and interests.

[2]VA Can Provide More Employment Assistance to Veterans Who Complete Its Vocational Rehabilitation Program (GAO/HRD-84-39, May 23, 1984); Vocational Rehabilitation: Better VA Management Needed to Help Disabled Veterans Find Jobs (GAO/HRD-92-100, Sept. 4, 1992).

[3]Disabled individuals who obtain and maintain a suitable job for at least 60 days are classified as "rehabilitated."

position). For these reasons, we did not attempt to compare the two programs. In addition, you asked us to identify VA efforts to improve program effectiveness.

To address your request, we met with VA and Department of Education officials responsible for managing their respective vocational rehabilitation programs. We reviewed legislation, regulations, program operating procedures, and program management reports. We also analyzed national data on program participants and visited VA regional offices and state rehabilitation agencies in four localities to obtain examples from selected program case files of costs and services provided. We did our work between September 1995 and July 1996 in accordance with generally accepted government auditing standards. (See app. I for a more detailed discussion of our methodology.)

Results in Brief

Despite the 1980 legislation requiring VA to focus its rehabilitation program on finding disabled veterans suitable employment and subsequent GAO reports recommending that VA implement this legislation, VA continues to place few veterans in jobs. For example, over the last 5 years (1991-1995), VA rehabilitated about 8 percent of the approximately 74,000 veterans found eligible for vocational rehabilitation program services, while about 50 percent of the eligible veterans continued to receive program services. VA officials told us that the percentage of veterans classified as rehabilitated is low because the program does not focus on providing employment services. Instead, VA continues primarily to send veterans to training, particularly to higher education programs.

Moreover, our analysis of national program data showed that the characteristics of program participants are changing. For example, only about one in four veterans in the vocational rehabilitation program has a serious employment handicap,[4] and this ratio has been steadily declining over the last 5 years. Furthermore, our analysis showed that VA does not have readily available cost data associated with providing rehabilitation services to individual veterans. Our review of over 100 case files, however, showed that VA spent, on average, about $20,000 on each veteran who gained employment and about $10,000 on each veteran who dropped out of the program. Generally, over half of the total costs of rehabilitation

[4]In general, VA classifies veterans with a 50-percent or greater disability as potentially having a serious employment handicap. VA determines whether the applicant has a serious employment handicap after evaluating the veteran's history, including the effects of disability, prior training and employment, and other pertinent factors.

services consisted of payments to assist veterans in covering their basic living expenses.[5]

With regard to Education's state vocational rehabilitation program, our analysis of national program data showed that over the last 5 years (1991-1995) state agencies rehabilitated 37 percent of the approximately 2.6 million individuals eligible for vocational rehabilitation program services, while about 31 percent continued to receive program services. The state agencies provide a wide range of rehabilitative services, from physical restoration[6] and transportation to college education and on-the-job training. In addition, we found that a majority of the program participants had severe disabilities.[7] Moreover, national program data showed that state vocational rehabilitation agencies spent, on average, about $3,000 on each client who achieved employment and about $2,000 on each client who dropped out of the program. The state program does not provide funds to cover client living expenses.

In response to prior GAO and VA findings and recommendations, VA recently established a design team to identify ways of improving program effectiveness. The team's overall objective is to increase the number of veterans who obtain suitable employment through improvements in program management. For example, one approach the design team is considering involves exploring job options with veterans before sending them to training. The team is also looking at ways to improve staff skills in job finding and placement activities. VA hopes to begin implementing program changes in fiscal year 1997.

Background

In 1943, Public Law 78-16 authorized the vocational rehabilitation program to provide training to veterans with service-connected disabilities. Between 1943 and 1980, program features and criteria underwent several legislative changes. In 1980, the Congress enacted the Veterans' Rehabilitation and Education Amendments (P.L. 96-466), which changed the program's purpose to providing eligible veterans with services and

[5]VA is required to pay a subsistence allowance to veterans who receive training to cover basic living expenses (38 U.S.C. 3108 (1994)).

[6]Restoration is defined as providing those medical and medically related services that are necessary to correct or substantially modify a physical or mental condition. Restoration services include surgery, therapy, treatment, and hospitalization.

[7]A severe disability is a physical or mental impairment that seriously limits one or more functional capacities (such as mobility, communication, self-care, self-direction, interpersonal skills, work tolerance, or work skills) in terms of an employment outcome.

assistance necessary to enable them to obtain and maintain suitable employment.

The vocational rehabilitation process has five phases. In the first phase, VA receives the veteran's application, establishes eligibility, and schedules a meeting with the veteran. In phase two, a counselor determines if the veteran has an employment handicap and, if so, the counselor and the veteran jointly develop a rehabilitation plan.[8] The veteran then moves into training or education (phase three), if needed, and on to employment services (phase four) if training or education is not needed or after it is completed. During phase four, VA, state agencies, the Department of Labor, and private employment agencies help the veteran find a job. In phase five, the veteran is classified as rehabilitated once he or she finds a suitable job and holds it for at least 60 days.

Veterans are eligible for program services if they have a 20-percent or higher service-connected disability and they have been determined by VA to have an employment handicap.[9] The law defines an employment handicap as an impairment of a veteran's ability to prepare for, obtain, or retain employment consistent with his or her abilities, aptitudes, and interests. Veterans with a 10-percent service-connected disability also may be eligible if they have a serious employment handicap. The eligibility period generally extends for 12 years, beginning on the date of the veteran's discharge. Veterans found eligible for services can receive up to 48 months of benefits during the 12-year period.

While in the program, most veterans receive services and equipment that may be required for beginning employment. For instance, veterans generally receive diagnosis and evaluation, as well as counseling and guidance, and some receive such aids as prostheses, eyeglasses, and educational supplies. They may also receive educational and vocational training; special rehabilitative services, such as tutorial assistance and interpreter services; a subsistence allowance; and employment assistance.

Similar to the 1980 amendments, which affect the VA program, the Rehabilitation Act of 1973, as amended, authorized the Department of Education to provide eligible people (usually nonveterans) with services

[8]A rehabilitation plan outlines specific services to be provided the veteran, the duration of services, and a basis for assessing progress toward the program goal.

[9]Eligible veterans are assigned disability ratings ranging from 0 to 100 percent, in increments of 10 percent. The rating represents the average impairment in earning capacity resulting from service-connected injuries or a combination of injuries.

and assistance to enable them to obtain and maintain suitable employment. Education provides federal funds to help people with disabilities become employed, more independent, and better integrated into the community. The federal funds are chiefly passed to state vocational rehabilitation agencies that directly provide services and assistance to eligible people. The federal share of funding for these services is generally about 80 percent; the states pay the balance. In fiscal year 1995, about $2 billion in federal funds went to the state program, and about 1.3 million people received program services.

The state vocational rehabilitation process, like the VA program process, comprises five phases, and state vocational rehabilitation clients who obtain and maintain a suitable job for at least 60 days are also classified as rehabilitated. However, in the state vocational program, suitable employment may not always involve wages or salary and may include, for example, working as an unpaid homemaker or family worker.[10] To be eligible for the program, people must have a disability that is a substantial impediment to employment. However, when states are unable to serve all eligible applicants, priority is given to serving individuals with the most severe disabilities.

The state vocational rehabilitation program offers a wide range of services to help its clients achieve their vocational goals. Examples of specific rehabilitation services include diagnosis and evaluation, counseling and guidance, vocational and educational training, physical restoration, adjustment training,[11] on-the-job training, and employment assistance. If needed, services such as transportation to enable the individual to arrive at appointments for rehabilitation services or to get to work and income maintenance to cover additional costs incurred while the individual is receiving specific rehabilitation services are also provided.

[10]The Department of Education defines an unpaid homemaker as someone who keeps house for himself or herself or others living in the same home. An unpaid family worker is someone who works without pay on a family farm or in a family business.

[11]Adjustment training helps the client adjust to a particular situation hindering his or her ability to work. Such training includes work conditioning, developing work tolerance, mobility training, remedial training, literacy training, lip reading, and braille.

VA's Vocational Rehabilitation Program Faces Challenges

The 1980 Veterans' Rehabilitation and Education Amendments made a significant change in VA's vocational rehabilitation program by requiring VA to assist veterans in obtaining and maintaining suitable employment. This change expanded the scope of vocational rehabilitation beyond just training and marked a fundamental change in the focus and purpose of the program. However, despite previous GAO recommendations that VA fully implement this amendment and VA's agreement to emphasize employment services, few veterans in the vocational rehabilitation program obtain jobs. Instead, VA staff continue to focus on providing training services because, among other reasons, they lack adequate training and expertise in job placement.

In addition, our analysis of national program data revealed that the percentage of veterans in the program with serious employment handicaps has been steadily declining over the last 5 years. Our discussions with program officials also revealed that VA does not have readily available cost data associated with rehabilitating veterans. We found, on the basis of our review of select case files, that VA typically spends about $20,000 to rehabilitate each veteran.

VA Continues to Place Few Veterans

In our 1992 report, we noted that approximately 202,000 veterans were found eligible for vocational rehabilitation program services between October 1983 and February 1991. About 62 percent dropped out of the program before ever receiving a rehabilitation plan, and an additional 9 percent dropped out after receiving a plan. VA rehabilitated 5 percent of the eligible veterans, while the remaining veterans (24 percent) continued to receive program services.

From October 1991 to September 1995, 201,000 veterans applied to the vocational rehabilitation program. VA classified approximately 74,000 (37 percent) veterans eligible.[12] Of these veterans, 21 percent dropped out before receiving a plan, and another 20 percent dropped out or temporarily suspended their program after receiving a plan. VA rehabilitated 8 percent of the eligible veterans, and the remaining veterans (51 percent) were still receiving program services at the time of our analysis.

VA officials told us that the vocational rehabilitation program has not been effective in placing veterans in suitable jobs. The primary reason for the

[12]Of the 201,000 veterans who applied to the vocational rehabilitation program, 55,000 (27 percent) were classified as ineligible, 11,300 (6 percent) were awaiting an eligibility determination, and 60,400 (30 percent) dropped out of the program.

low percentage of rehabilitations is the lack of focus on employment services, according to VA officials. The director of VA's vocational rehabilitation program also acknowledged that the program's rehabilitation rate needs to be improved and has established a program goal of doubling the number of successful rehabilitations over the next 2 years.

Our analysis of current program participants[13] showed that almost half of those veterans who were rehabilitated obtained employment in the professional, technical, and managerial occupations—fields such as engineering, accounting, and management. In addition, we found that the average starting salary of these veterans was about $18,000 a year. Moreover, veterans who were rehabilitated spent an average of 30 months in the program, while those who dropped out spent 22 months in the program.

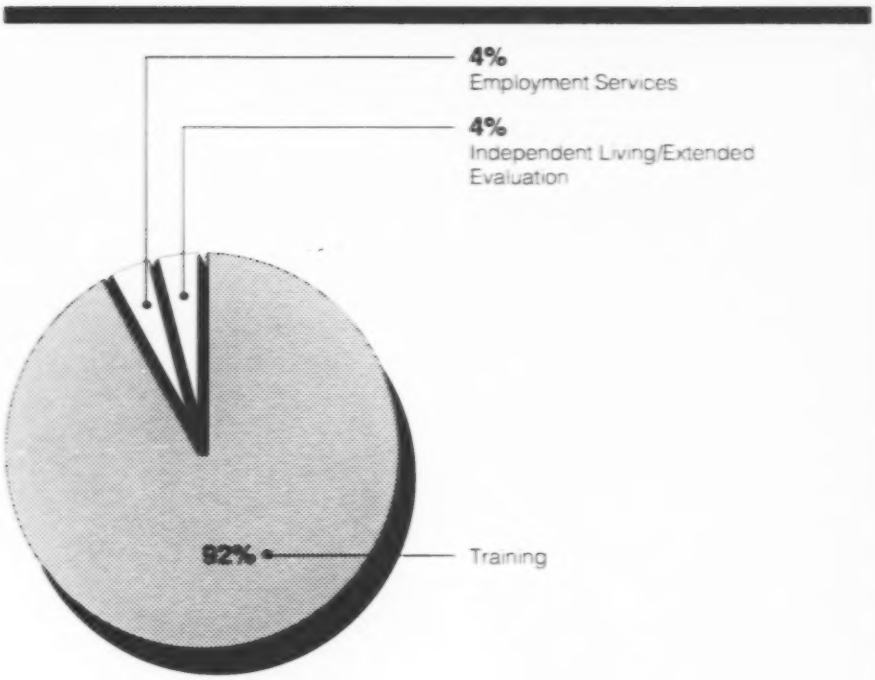
VA Does Not Emphasize Employment Services

VA's vocational rehabilitation program is primarily focused on sending veterans to training rather than on finding them suitable employment, according to VA officials. In 1992, VA issued guidance that emphasized the importance of finding suitable jobs for veterans and suggested that field offices begin employment planning as soon as a veteran's eligibility for the program services was established. However, regional officials told us that staff do not generally begin exploring employment options until near the end of a veteran's training.

In 1992, we reported that 92 percent of veterans who received a plan between October 1983 and February 1991 went from the evaluation and planning phase directly into training programs, while only 3 percent went into the employment services phase. The remaining 5 percent went into a program designed to help them live independently or were placed in a controlled work environment. These figures remained virtually unchanged for the period we examined. For example, from October 1991 to September 1995, 92 percent of veterans who received a plan went from the evaluation and planning phase into training programs, while 4 percent went directly into the employment services phase. The remaining 4 percent entered an independent living program or were placed in extended evaluation, as shown in figure 1.

[13]We define current program participants as veterans who were in the program from October 1, 1994, through February 1996.

Figure 1: Services Provided After Evaluation and Planning, 1991-95



Source: VA's computerized data system, October 1991-September 1995

Moreover, our analysis of national program data on current program participants showed that the vast majority of veterans in training were enrolled in higher education programs. For example, about 91 percent of such veterans were enrolled in a university or college.[14] The remaining 9 percent were enrolled in vocational/technical schools or participated in other types of training programs, such as apprenticeships and on-the-job training.

VA regional officials offered several reasons why staff continue to emphasize training over employment services. First, VA officials told us

[14]VA's national database captures the number of veterans enrolled in college or vocational/technical schools. However, several regional office staff told us that a significant number of veterans classified as attending college are actually enrolled in a vocational/technical training program provided by a community college. VA officials are not able to estimate how many veterans belong in this category.

that it is difficult for staff to begin exploring employment options early because veterans entering the program expect to be able to attend college. Veterans acquire this expectation, according to VA officials, because the program is often marketed as an education program and not a jobs-oriented program. This image of the program as education oriented was also evident among some VA management. For instance, the director at one regional office we visited described the vocational rehabilitation program as the "best education program in VA."

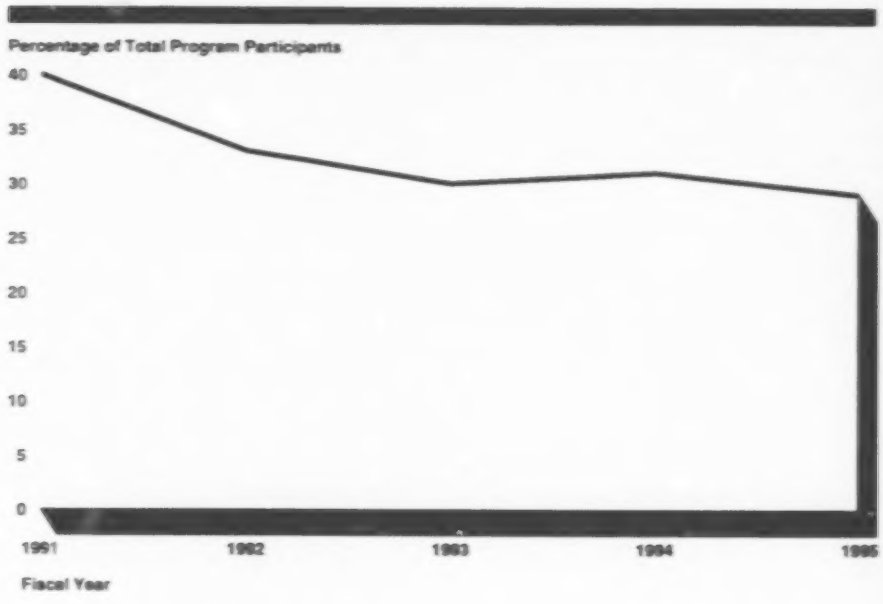
A second reason for emphasizing training over employment, according to VA officials, is that program staff generally lack adequate training and expertise in job placement activities. At one office, for example, a counseling psychologist told us that program staff are not equipped to find veterans jobs because they lack employer contacts and detailed information on local labor markets. In fact, counseling psychologists at the regional offices we visited described the employment services phase as "the weakest part of the program."

Third, VA officials told us that large caseloads make it difficult for program staff to spend time exploring employment options with veterans. As one counseling psychologist responsible for managing over 300 cases said, "with such a large caseload it's just easier to place veterans in college for 4 years than it is to find them a job." According to VA's Vocational Rehabilitation Service's Chief of Program Operations, the optimal caseload per staff person is about 125.

Characteristics of Participants Have Changed

In recent years, there has been a shift in the type of disabled veteran participating in VA's vocational rehabilitation program. For example, during the period 1991 to 1995, the percentage of program participants classified by VA as having a serious employment handicap declined from 40 percent to 29 percent, as shown in figure 2.

Figure 2: Percentage of Program Participants With Serious Employment Handicaps, 1991-95

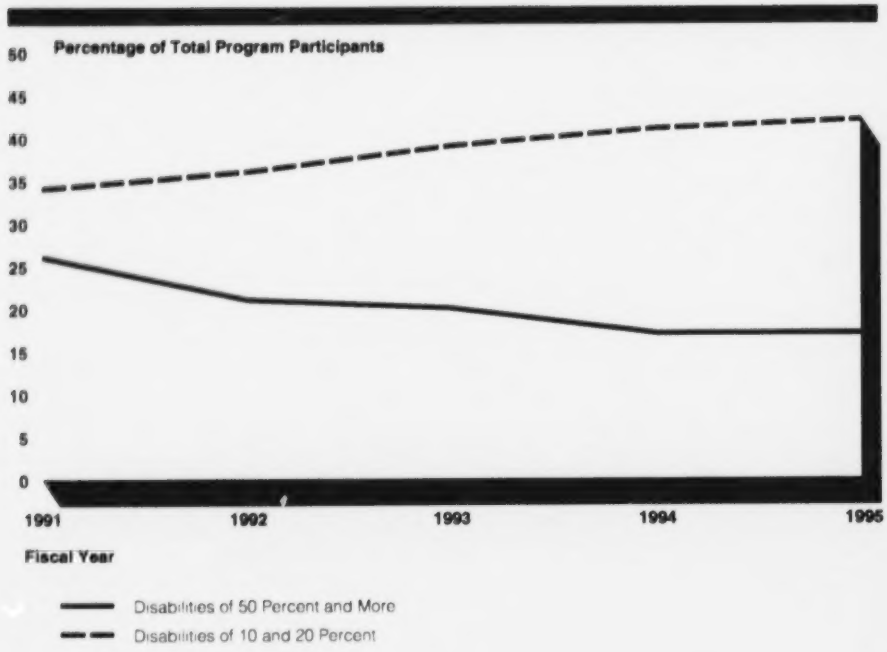


Source: GAO analysis of VA Chapter 31 Target System

During the same period, the percentage of program participants with disabilities rated at 50 percent or higher declined from 26 percent to 17 percent.[15] Meanwhile, the percentage of program participants with disabilities rated at 10 and 20 percent increased from 34 percent to 42 percent. Figure 3 shows the changes in program participants' characteristics for the period 1991 to 1995.

[15]As we reported in Vocational Rehabilitation: VA Needs to Emphasize Serving Veterans With Serious Employment Handicaps (GAO/HRD-92-133, Sept. 28, 1992), this trend began in 1985.

Figure 3: Program Participation by Percentage of Disability, 1991-95



Source: GAO analysis of VA Chapter 31 Target System.

In addition, our analysis of national program data provided demographic information on current program participants. For example, over 90 percent of the veterans who applied for program services were male, and the median age was 44 years. Also, at the time of their application, over 90 percent of the veterans had completed high school; of these, almost 25 percent had also completed 1 or more years of college.

VA Does Not Have Readily Available Data on the Cost of Providing Rehabilitation Services

VA headquarters and regional agency officials did not know the costs associated with providing rehabilitation services to individual veterans. VA officials told us that, although cost information is located in individual veterans' case files, it is not compiled or analyzed.

Our review of 59 rehabilitated case files at four regional offices showed that VA spent, on average, about $20,000 to rehabilitate each veteran. The exact cost associated with rehabilitating veterans depends on the type and

duration of services provided. Our analysis also showed that, generally, over half of the total cost of rehabilitation services consisted of subsistence allowances. Following are specific examples of costs associated with rehabilitating some clients.

- VA spent about $23,000 to rehabilitate a veteran who had a 10-percent disability for lower back strain. While in the program, the veteran obtained a BS degree in education and eventually obtained a job as an elementary school teacher earning $25,000 a year.
- VA spent over $20,000 to rehabilitate a veteran who had a 20-percent disability for lower back strain. The veteran, who was attending college under the Montgomery G.I. Bill and working part time before entering the program, obtained a bachelor's degree in sociology and, ultimately, a position as an advocate for the elderly, earning less than $20,000 a year.

Our review of 43 program dropout case files—"discontinued" case files—showed that VA spent, on average, about $10,000 each on veterans who did not complete the program. Following are specific examples of costs associated with veterans who did not complete the program.

- VA spent over $46,000 on tuition and subsistence to rehabilitate a veteran who had a 10-percent disability. The veteran dropped out of college after 4 years because of medical treatment for depression and marginal academic progress.
- VA spent over $6,000 on a 20-percent-disabled veteran who dropped out of the program after about a year. The veteran stopped attending college classes because of unsatisfactory academic progress.

Experience of State Vocational Rehabilitation Program

The state vocational rehabilitation program places over one-third of its clients in employment. Our analysis of 1993 national program data, the most current data available, showed that state agencies provide a mix of services to meet their clients' rehabilitation needs.[16] Our analysis also showed that most clients in the state program had severe disabilities. Furthermore, the state program spends, on average, about $3,000 on each rehabilitated client.

[16]In this section, we addressed issues such as services rendered, client characteristics, and program cost by analyzing data in the Department of Education's 1993 Case Service Reports. Information in the Case Service Reports covers all accepted clients whose cases were closed in 1993—clients were rehabilitated, dropped out before a rehabilitation plan was developed or before services were initiated, or dropped out after receiving some services.

Over One-Third of State Program Clients Obtain Employment

From October 1991 through June 1995, about 2.6 million individuals were found eligible for state vocational rehabilitation program services. About 10 percent of these individuals dropped out of the state program before a rehabilitation plan could be initiated, and an additional 22 percent dropped out after a plan was initiated. The state agencies rehabilitated 37 percent of the eligible individuals, and the remaining individuals (31 percent) were still receiving program services at the time of our analysis.

Clients in the state program are considered successfully rehabilitated even if they achieve outcomes other than employment that provides a wage or salary. For example, in fiscal year 1993, clients who obtained unpaid work or attained homemaker status composed about 9 percent of all rehabilitations. However, the majority of clients rehabilitated under the state program obtained such salaried positions as janitor, baker, office clerk, or cashier. On average, a person rehabilitated under the state program typically earned a starting salary of about $10,000 a year. Moreover, clients who were rehabilitated spent on average 17 months in the program, and clients who dropped out of the program after receiving a plan and at least one rehabilitative service spent 23 months.

State Vocational Rehabilitation Program Provides a Mix of Services

The state vocational rehabilitation program provides a wide range of services designed to help people with disabilities prepare for and engage in gainful employment to the extent of their capabilities. In fiscal year 1993, the state agencies provided evaluation and counseling services to almost all program participants. Additional services provided included restoration (33 percent of participants); transportation (33 percent); job finding services, such as resume preparation and interview coaching (31 percent); and college/university (12 percent), business/vocational training (12 percent), and on-the job training (6 percent).

Most State Program Clients Are Severely Disabled

Our analysis of 1993 national program data showed that people with severe disabilities make up the majority of clients in the state vocational rehabilitation program. For example, people with severe disabilities composed 73 percent of the state program's total client population.

Our analysis of national data also provided demographic information on the clients who applied to the program. For example, almost 60 percent of the clients who applied for program services were male, and the median age was 34 years. In addition, at the time of their application, 43 percent of

the clients had not completed high school, while 17 percent had completed 1 or more years of college.

Cost Varies Slightly Among Rehabilitated and Dropouts

Our analysis of national program data showed that in fiscal year 1993, the state vocational rehabilitation agencies spent, on average, about $3,000 on each client who was rehabilitated. State agency staff spent funds providing or arranging services on behalf of clients, including assessment, training, medical services, transportation, and personal assistance. These costs exclude costs incurred for program administration and for salaries of counselors and other staff, and the state vocational program does not provide clients money for basic living expenses.[17] Following are examples of costs associated with rehabilitating clients, which we obtained from our review of case files of 41 rehabilitated clients at four regional offices.

- In one case, the state program spent about $4,000 to rehabilitate an illiterate client suffering from mild retardation. The client was severely disabled and had not completed high school. The client was provided adjustment training and obtained a job working 3 hours a week as a stock person at a hardware store making $4.50 an hour.
- In a second case, the state program spent about $6,000 to rehabilitate a client with a learning disability and chronic back pain. The client was severely disabled but had graduated from high school. The client was provided clerical training and obtained a job working full time as a food service attendant making $4.50 an hour.

The national data also showed that the state program spent, on average, about $2,000 on each client who did not complete the program after receiving a plan. Following are examples of costs associated with clients who did not complete the program, which we obtained from our review of 40 discontinued case files.

- In one case, the state program spent about $4,500 on a client who dropped out because she became pregnant. The client was deaf and classified as severely disabled. She had problems communicating and had not completed high school. The client's rehabilitation goal involved pursuing an associate's degree and obtaining a job as an office clerk.
- In a second case, the state program spent about $3,500 on a client who dropped out because he lacked the motivation to continue in the program.

[17]Although the state vocational program does not provide monthly monetary benefits in the form of a subsistence allowance, it may provide clients with money to cover additional costs incurred while they are receiving certain vocational rehabilitation services. In 1993, 21 percent of clients received this service, which is called income maintenance.

The client, who suffered from epilepsy and moderate retardation and was classified as severely disabled, was provided work adjustment training.

VA Has Begun to Take Steps to Improve Program Effectiveness

In response to prior GAO and VA reports that recommended that VA emphasize finding jobs for veterans, VA has begun to reengineer its vocational rehabilitation program.[18] The overall objective of VA's reengineering effort is to increase the number of veterans who obtain suitable employment through improvements in program management. Under new program leadership, VA's Vocational Rehabilitation and Counseling Service established a design team in 1995 to restructure the program by focusing on finding veterans suitable employment, making use of automation, and identifying factors that detract from program efficiency. VA consulted with state and private-sector vocational rehabilitation officials, veterans' service organizations, the Department of Labor, and private contractors to help it identify needed program improvements.

VA's design team has identified several key initiatives aimed at improving program effectiveness. For example, VA plans to emphasize employment by exploring job options with veterans before sending them to training. VA also plans to develop marketing strategies that emphasize employment services. This initiative may involve revising existing pamphlets and brochures and developing informational videos. Further, VA plans to assess and develop program staff skills to ensure that staff have the necessary expertise to provide employment services.

VA is also piloting an automated data management system designed to capture key information on program participants, such as the cost of providing rehabilitation services. VA officials told us that this information would be helpful in targeting ways to make the program more cost effective.

VA also plans to conduct nationwide telephone surveys to determine why veterans drop out of the program. Officials told us that knowing this information will help them better identify problems veterans encounter with program services and develop plans that enhance veterans' chances of successfully completing the program.

[18]GAO/HRD-84-39, May 23, 1984; GAO/HRD-92-100, Sept. 4, 1992; and Veterans Benefits Administration, Study of Vocational Rehabilitation and Counseling Service (Washington, D.C.: VA, Sept. 7, 1993).

VA is in the early stages of its reengineering effort and has not implemented any of the design team's initiatives. The Chairman of VA's design team told us that VA plans to begin implementing these initiatives nationwide by the end of fiscal year 1997.

Conclusions

Despite a legislative mandate enacted 16 years ago requiring VA to help program participants obtain suitable jobs and prior GAO reports documenting VA's limited success, VA's vocational rehabilitation program continues to rehabilitate few disabled veterans. Currently, new program leadership recognizes the need to refocus the program toward the goal of employment and has taken steps to improve the program's effectiveness. However, the concerns addressed in this letter are long standing, and VA's reengineering efforts have not been completed. The success of VA's efforts will depend on which initiatives VA adopts and how they are implemented.

Agency Comments

We received comments from the Department of Education and VA on a draft of this report. Education agreed with our findings and offered some technical suggestions, which we incorporated where appropriate.

VA said it generally agreed with our findings and that its current reengineering initiative will successfully address all of the concerns we raised. However, VA cited a number of concerns with the information contained in the draft. For example, VA took issue with our finding that 8 percent of eligible veterans are rehabilitated. Instead, VA claims that 32 percent are rehabilitated and that this rate compares favorably with the 37-percent rehabilitation found in the state program. We disagree. VA based their rehabilitation percentage on the number of veterans who left the program (about 19,000)—a combination of veterans who dropped out or interrupted their program of services, as well as those who were rehabilitated—as opposed to the total number of eligible veterans (about 74,000). VA's approach inflates the VA rehabilitation rate. Using VA's approach, the state program would have an even higher rehabilitation rate—more than 60 percent. The fact remains, however, that of the 74,000 veterans found eligible for program services, 6,000 successfully completed the program.

VA also took exception with our discussion of its lack of focus on employment services. VA contends it has consistently focused on the necessity of providing meaningful employment services, a goal that is outlined in policy directives and reinforced with comprehensive staff

training. Our report acknowledges that VA issued guidance in 1992 that emphasized employment services. However, VA staff that administered and implemented the program in the four locations we visited told us that they do not emphasize employment until near the end of a veteran's training. Furthermore, the Chairman of VA's design team, an individual charged with evaluating and restructuring the program, told us that the primary reason for the program's low rehabilitation rate is VA's lack of focus on employment services. Regarding VA's claim it provides comprehensive staff training, the Program Operations Chief told us that other than a week-long seminar on employment services presented about 2 to 3 years ago, VA headquarters has not sponsored staff training in employment assistance. Further, as already reported, staff in the regional offices that we visited told us they are not adequately trained in job placement activities.

VA also took issue with our discussion of its lack of knowledge of the costs associated with providing rehabilitation services to individual veterans. VA claims that it has this information and can retrieve it at any time, although doing so is a laborious process. However, we saw no evidence that VA officials knew the costs associated with providing rehabilitation services. Neither the Chief of Program Operations nor officials located in the four regional offices that we visited could provide us with the costs associated with rehabilitating a veteran. Instead, we were always directed to the case files and, in some regional offices, to the finance section to obtain this information.

VA also expressed concern that our random sample of program participant cases was not representative of the veterans that VA serves. VA asserted that "a more appropriate sample could readily come up with examples of veterans with more profound disabilities who are earning handsome salaries as a result of their participation in VA's vocational rehabilitation program." As we have pointed out, the results of our sample of 102 individual veteran case files are neither representative nor generalizable to all program participants. Our purpose in sampling program participants was to furnish examples of costs associated with providing rehabilitation services, not to demonstrate the severity of disabilities represented in the program or the average salaries of program participants. We addressed the issues of disability severity and salary using VA's national database and discussed them in other sections of the report.

VA's comments in their entirety appear as appendix II.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Veterans Affairs and other interested parties.

This work was performed under the direction of Irene Chu, Assistant Director, Veterans' Affairs and Military Health Care Issues. If you or your staff have any questions, please contact Ms. Chu or me on (202) 512-7101. Other major contributors to this report are listed in appendix III.

Sincerely yours,

David P. Baine

David P. Baine
Director, Veterans' Affairs and
Military Health Care Issues

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Abbreviations

VA Department of Veterans Affairs

Scope and Methodology

We designed our study to collect national information on the characteristics of VA and state vocational rehabilitation clients, the services they received, and the outcomes they achieved. We also obtained information on the costs associated with providing rehabilitation services to clients in each program. In doing our work, we examined VA and Department of Education databases. We also interviewed VA and Education officials at the national and regional levels during site visits at VA and state vocational rehabilitation facilities in four judgmentally selected locations.

National Databases

We examined VA and Education vocational rehabilitation databases to obtain national information on the percentage of clients rehabilitated, client characteristics, and services provided. However, we did not verify the information included in the databases. To determine the percentage of veterans rehabilitated, we analyzed VA's Chapter 31 Target System database for the period October 1991 through September 1995. We also compiled information on client characteristics of and services provided to veterans currently participating in the program. We define current participants as veterans who were not rehabilitated or discontinued prior to the beginning of fiscal year 1995 and were in one of the program's five phases on February 7, 1996.

For the state vocational rehabilitation program, we analyzed data from two Education databases. To address the percentage of the clients rehabilitated, we reviewed Education's Quarterly Cumulative Caseload Reports for October 1991 through June 1995. This report provides aggregate data on the cases handled by state rehabilitation agencies.

To obtain information on demographic characteristics and services provided, we analyzed Education's Case Service Reports. The Case Service Reports contain information collected from the state agencies at the end of each fiscal year on the characteristics of each client whose case was closed that year, as well as on the general types of services that each client received and his or her employment status in the week of case closure. At any particular time, Education may be waiting for original or corrected data from one or more states for 1 or more years. At the time we began our study, the most recent full year for which largely complete data were available was fiscal year 1993.

Site Visits

We conducted site visits at VA regional offices and state vocational rehabilitation agencies at four locations from January 1996 through March 1996. We visited VA and state vocational rehabilitation facilities in Milwaukee, Wisconsin; New Orleans, Louisiana; Roanoke, Virginia; and Portland, Oregon. We selected the sites judgmentally to include VA and state agencies that (1) were located in different regions, (2) were varied in staff size and workload, and (3) had ongoing initiatives to improve their vocational rehabilitation program.

During these site visits, we interviewed vocational rehabilitation officials on various aspects of the program operations, reviewed selected case files, and discussed the specific cases with program specialists. At each VA regional office and state agency visited, we randomly selected and reviewed 9 to 12 case files of program participants who had been rehabilitated or had dropped out of the program between January 1 and June 30, 1995. Because the total number of rehabilitated cases available at VA's field office in Portland, Oregon, was relatively small, we reviewed all 30 cases. We reviewed a total of 183 vocational rehabilitation cases: 102 at VA's regional offices and 81 at the state agencies. These cases did not compose a representative sample of each site's rehabilitation or dropout cases; thus, our results cannot be generalized.

From case file reviews and discussions with program specialists, we obtained detailed information on client characteristics; services provided; and, when applicable, the type of employment obtained and starting salary. Also from the case files, we determined the costs associated with providing rehabilitation services to program participants, such as how much was spent for basic education and vocational training, readjustment training, physical restoration, and other support services.

Comments From the Department of Veterans Affairs

DEPARTMENT OF VETERANS AFFAIRS
Veterans Benefits Administration
Washington DC 20420

JUL 2 5 1996

In Reply Refer To

Mr David P Baine
Director
Health Care Delivery and Quality Issues
Health, Education, and Human Services Division
United States General Accounting Office
Washington, DC 20548

Dear Mr Baine

Enclosed are our comments on the draft GAO report entitled, Vocational Rehabilitation VA Continues to Place Few Disabled Veterans in Jobs (GAO/HEHS-96-155)

Our comments are offered to assist the Chairman, Subcommittee on Education, Training, Employment, and Housing, Committee on Veterans' Affairs, House of Representatives in getting an accurate report on the status of VA's Vocational Rehabilitation program The comments clarify certain issues and data in the report We are pleased to advise you that VA's current initiative to reengineer the Vocational Rehabilitation Program, will successfully address all of the concerns raised in the draft report

Stephen L. Lemons
Deputy Under Secretary for Benefits

Enclosure

VA's Comments on GAO Draft Report
Vocational Rehabilitation: VA Continues to Place Few Disabled Veterans in Jobs

The following comments on the draft report are provided to assist the Chairman, Subcommittee on Education, Training, Employment, and Housing, House Committee on Veterans' Affairs, to acquire an accurate insight into the status of VA's Vocational Rehabilitation Program.

Although the report generally presents an accurate description of the program, there are significant discrepancies in the facts presented. Our comments clarify and correct those discrepancies.

Now on p. 6.

1. On page 3, GAO indicates during the period October 1991 - September 1995 approximately 200,000 individuals applied for vocational rehabilitation benefits for the first time. Of these applicants, the following facts apply:

52,000 (26 percent) were ineligible for services because they were not veterans, did not possess a proper discharge from military service, did not have a service-connected disability or did not have an employment handicap;

63,000 (32 percent) failed to cooperate or pursue their application for benefits for any number of reasons;

74,000 (37 percent) were found eligible for program services;

of the 74,000 found eligible, 19,000 (26 percent) chose not to pursue a program;

55,000 (74 percent) started a program of rehabilitation services;

36,000 (65 percent) of those who started a program were still pursuing it at the time of the study;

6,000, or 32 percent of those who left the program during this period and could have been rehabilitated, were successfully rehabilitated.

There are a significant number of applicants who fail to pursue a vocational rehabilitation program. There are many very legitimate reasons why they do so, including the fact that they do not meet the basic eligibility or entitlement criteria required to pursue a program. Many individuals apply for vocational rehabilitation services without realizing what they are requesting or because they are unemployed and exploring any employment opportunity. Once they learn the purpose of the program and the commitment they will be required to make, usually during the first evaluation session, they decide that the program is not what they want. Some are seeking immediate employment and, following a referral

pursue further vocational rehabilitation services. Others, once advised that they qualify for the program, refuse to participate in the program because they are not in a position to do so or they chose to use their GI bill educational benefits instead.

In many respects, it is entirely appropriate for these veterans not to pursue a rehabilitation program. In fact, VA staff are often instrumental in assisting the veteran in making an informed decision about his or her ability to pursue a program. From a resource perspective, it is far better that the veteran chose to terminate his or her participation prior to actually starting a program. Although there is a cost associated with assisting a veteran up to the point of starting a program, that cost is insignificant compared to the cost associated with placing a veteran in a program and then having the veteran "dropout."

Of those who started a vocational rehabilitation program during the past five years, the typical veteran's program lasted approximately 30 months. During this time, and in spite of the best planning efforts of VA staff, any number of unanticipated events may affect the veteran's ability to complete a program. For example, our research indicates medical problems arising from the veteran's service and nonservice-connected disabilities are one of the major reasons veterans are unable to complete their programs.

We note that our success in rehabilitating 32 percent of the veterans who started a rehabilitation program during the last five years compares favorable with the 37 percent rehabilitated in the state-federal program, in spite of the fact that the services offered under VA's Vocational Rehabilitation Program are more comprehensive and the program has more rigorous criteria to be met to declare an individual rehabilitated.

Now on p. 2.

2. On page 3, the GAO indicates that the percentage of veterans classified as rehabilitated is low because the program does not focus on providing employment services.

This conclusion is based on anecdotal comments and does not jibe with the facts. VA has consistently focused on the necessity of providing meaningful employment services to the veterans we serve. This emphasis is outlined in policy and procedural directives and reinforced with comprehensive staff training. We acknowledge some staff are not experts in the area of job development and placement, a very time consuming activity requiring specialized skills, and therefore we have diligently pursued other sources to assist us in providing quality employment services. For example, we recently revised our Memorandum of Understanding with the Department of Labor. We are working cooperatively with their staff to enhance the employment services we mutually provide to vocational rehabilitation program participants. We continue to augment these efforts by selectively contracting with employment specialists in the public and private sector, and using community based employment programs. The success of these efforts is reflected in the annual increase in the number of veterans we rehabilitate each year.

Now on p. 2.

3. On page 3, the GAO indicates VA does not know the costs associated with providing rehabilitation services to individual veterans.

This information is "known," and may be retrieved at any time although it is a laborious process. We record the costs associated with providing services to a vocational rehabilitation program participant in different formats, e.g. the veteran's case records, finance records. Because of technological constraints, this information is not stored in, and readily retrieved from, an automated data base.

Nevertheless, the costs to provide services to a participant in the program are monitored. VA staff are required to project the annual cost of a participant's vocational rehabilitation program at the inception of the program and annually thereafter. If the annual costs are expected to exceed a given fiscal threshold, the staff member must acquire permission from the local manager to exceed that threshold. The new automated case management system VA is currently developing (WINRS), will automate the monitoring and reporting of this cost information. It will significantly enhance our day-to-day "knowledge" of the costs associated with providing rehabilitation services to individual veterans.

Now on p. 12.

4. On pages 15 and 16 the GAO provides specific examples of costs associated with rehabilitating clients.

The examples on pages 15 and 16, although randomly selected, are from a small sample of program participants' cases and are not representative of the veterans we serve. Using a more appropriate sample, one could readily come up with examples of veterans with more profound disabilities who are earning handsome salaries as a result of their participation in VA's Vocational Rehabilitation Program.

The cost effectiveness of the program is well established and can readily be illustrated by the following example. Assume it costs the Federal government (VA), on average, $20,000 to rehabilitate a service-disabled veteran as indicated in the report. This typical veteran can be expected to acquire an entry level job earning $21,000 a year, the average salary for veterans rehabilitation in fiscal year 1995. Over the course of that veteran's working years, he or she will pay federal taxes that will mitigate or totally offset the vocational rehabilitation costs. The typical program graduate entering a $21,000 a year job at age 44 can expect to work for the next 20 years. Assuming no salary increase over this period, which is unlikely, this veteran will pay a minimum of $63,500 in federal income taxes, an amount three times the cost to return this veteran to gainful employment.

Now on pp. 6-12 and pp. 12-15.

5. The comparison of VA's Vocational Rehabilitation Program with the state-federal vocational rehabilitation program on pages 6-8 and 16-21 is tenuous. The two programs differ on many critical points including eligibility criteria, populations served, services provided, and criteria for declaring an individual rehabilitated.

VA's Vocational Rehabilitation Program in Title 38 USC, Chapter 31, is entitled Training and Rehabilitation for Veterans with Service-Connected Disabilities. As the name implies, training is a primary component of the program, which evolved from previous vocational rehabilitation programs which were primarily training programs. Completion of training equated to achievement of vocational rehabilitation. In 1980, Congress modified the

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vocational rehabilitation program by adding to the training component the following services: pretraining, post-training, employment and independent living services.

The purpose of the program is to assist the veteran to prepare for, obtain and maintain suitable employment to the maximum extent feasible, or maximum independence in daily living. To achieve that purpose in a manner consistent with our statutory mandate, our policy is to provide the veteran all of the skills needed to effectively compete in the employment arena. We prepare veterans for careers that will last over their lifetimes, not just a job. We provide them the qualifications and skills they need to compete with individuals without disabilities, in qualifying for and maintaining entry level positions. The skills we provide them allows them to adjust to the current and future work environment where it is, or will be, common for an individual to have 5 or 6 jobs in different occupational fields over the course of their working years. It is more cost effective to provide the individual these types of skills and credentials the first time, than to be providing additional services later after the veteran has been displaced from employment.

The services provided to an individual in a vocational rehabilitation program are designed to meet that individual's unique vocational rehabilitation needs arising from their disabilities. Although both programs serve clients with a wide variety of physical and mental disorders, very few individuals receiving services under VA's Vocational Rehabilitation Program have developmental or congenital medical disorders. This is, in large part, a reflection of the fact that these individuals were "able-bodied" when entering military service. Individuals with developmental and congenital conditions have rehabilitation needs that often can readily be addressed with the provision of medical restoration services. These types of medical services are typically provided by VA's Veterans Health Administration staff and are not termed "vocational rehabilitation." In the state-federal program these medical services may constitute the individual's complete vocational rehabilitation program. For example, it is not uncommon for individuals who are employed, but without health insurance coverage, to be provided a straightforward medical service like a hernia repair, to remain on the job. Following surgery and resumption of employment in the same job for 60 days, this individual would be declared rehabilitated. A veteran in the same situation seeking assistance from VA, would probably receive these services through a VA medical center and return to work. Although a successful medical procedure, the provision of these medical services would not be associated with VA's Vocational Rehabilitation Program. This individual would not be counted as rehabilitated by the program.

There is a significant difference in the rehabilitation criteria of the two programs. For individuals not requiring independent living programs, an individual participating in the VA program has to acquire and maintain suitable employment in order to be declared rehabilitated. Suitable employment is defined as gainful employment that is consistent with the individual's interests, aptitudes and abilities. In the state system, on the other hand, an individual may be rehabilitated as a homemaker, unpaid family worker, minimally paid employee in a sheltered workshop, or by returning to or maintaining a job not requiring significant skills.

In many respects, in the state-federal program, an individual's rehabilitation needs can be met and the individual rehabilitated more readily and at less cost than in a VA program, because of the rehabilitation criteria required to be met. As the report indicates, a majority of state-federal program participants receive restoration, transportation and employment services to address the limitations imposed by their disabilities. These services can be provided relatively quickly, inexpensively, and for a short time period. They meet the participant's needs and, more importantly, meet the rehabilitation criteria.

Shorter programs also facilitate participant retention. Participants are less likely to "dropout" or prematurely terminate a shorter vocational rehabilitation program. The longer the program needed to address the individual's rehabilitation needs and meet the criteria for rehabilitation, the more likely life events will intervene and adversely affect one's ability to complete the program. This is a challenge VA staff face in providing comprehensive rehabilitation programs.

The following examples highlight these differences. Staff in the state-federal program may provide a client with a developmental disorder a job coach, place the client in a supported employment setting in a service industry like janitorial services and declare the client rehabilitated. This can be accomplished in a matter of months at relatively little cost. The client meets the state-federal program's more liberal rehabilitation criteria, and the case is successfully closed. Similarly, the same staff member could pay for a client to have a hysterectomy, thereby enabling her to resume homemaking responsibilities. This client would be rehabilitated as a homemaker, with the entire rehabilitation process accomplished in days and at minimal cost.

The above cited conditions and examples would not apply under VA's Vocational Rehabilitation Program since the individuals we serve have different rehabilitation needs and we are required to meet different criteria to successfully rehabilitate a veteran. Our clients typically have greater vocational potential than the state-federal client with a developmental or congenital disorder, and therefore the services we are required to provide are comparatively more expensive and take longer to deliver.

This point is illustrated by the following facts. In 1995, of the total veterans VA rehabilitated, 69 percent entered professional, technical, or managerial occupations. In the most recent data available to us from the state-federal program, approximately 12 percent entered these occupations. Similarly, the state-federal program place 22 percent of their clients in service industry occupations, the VA placed only 4 percent of our clients in such occupations.

Because of these fundamental differences in the two vocational rehabilitation programs, it is not possible to meaningfully compare the two.

6 We are pleased the GAO recognizes the efforts VA is currently taking to reengineer its vocational rehabilitation program. This reengineering effort is addressing all of the issues

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raised in this report. Moreover, the automation of our business processes via WINRS, will provide VR&C staff the critical information they need to better serve their clients and VA managers the information they require to efficiently use the resources of the vocational rehabilitation program.

Appendix III

Major Contributors to This Report

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